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Annotated

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DIRECTORATE OF INTELLIGENCE

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EC INVENTORY OF US EXPORT CONTROLS

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Last week's decision by EC industry ministers to compile an inventory of US export control actions reflects a growing West European concern that US restrictions on technology transfers to the East Bloc also adversely affect EC industries. According to diplomatic reports, EC Vice President Davignon, in proposing the study, singled out the recent flap between the United States and Belgium over the sale of a machine tooling center to the Soviet Union as illustrative of how US trade controls hinder West European sales and stoke US-European frictions. The Commission will base its inventory on submissions from the member governments and probably will complete the project by the end of this year.

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The Community has no authority to address differences with Washington over the aim of strategic trade controls nor to pass judgment on the effectiveness of US export controls. We believe the Commission is seeking primarily to dramatize the commercial impact of East-West trade restrictions on EC industries in order to present Washington with a comprehensive and detailed list of EC grievances. The Commission established its role in forging a unified EC position on such matters during the controversial US embargo of equipment for the Siberian pipeline in 1982 and in subsequent demarches to Washington over the renewal of the Export Administration Act and its extraterritorial provisions.

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This memorandum was prepared by [redacted] the Office of European Analysis at the request of Frank Vargo, Deputy Assistant Secretary of Commerce. Questions and comments may be addressed to [redacted] Chief of the European Issues Division, [redacted]

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EC members also are concerned that US export controls are restricting their firms' access to new technologies required to make European high-tech industries competitive. In addition to specific export control cases, a listing of these West-West aspects of technology transfer is likely to include instances in which Europeans have been denied access to previously available information, e.g. the exclusion of EC nationals from technical seminars and workshops in the United States which they formerly attended. Although diplomatic reports indicate some EC members initially argued against Commission involvement in these issues, we believe Davignon probably convinced the industry ministers that the Commission's concern flows from its role in the ESPRIT program and in other EC-wide R&D schemes. [redacted]

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Three factors in particular probably are motivating the timing of this Commission proposal:

- o The Community probably sees an opportunity to muster facts, consolidate policy, and reconsider strategy before the new US Congress and Administration take up the renewal of the Export Adminstration Act in January.
- o Davignon, in particular, has been especially critical of US export controls and probably is pushing for a thorough study to be completed before the new Industry Commissioner--who may not share Davignon's fervor--takes office in January.
- o According to diplomatic reports, Davignon is rumored to have political ambitions in Belgium after his return from the Commission and may view sponsorship of this initiative as politically enhancing among Belgian industrialists and politicians. [redacted]

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Distribution:

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